

To: All Legislative Council (LegCo) Education Panel Members and
Secretary for Education (EdB)

**Re: The LegCo meeting on July 11th, 2011 for the review on the subvention arrangements
for the English Schools Foundation (ESF)**

I would like to take this opportunity to thank all of the LegCo Education Panel members and the Education Bureau representatives who participated in the July 11th LegCo meeting and the participants in the production of the discussion papers from both parties for the captioned purpose.

Regarding the captioned matter and based on the statements addressed by the EDB during the meeting, I would like to express my opinions of the following concerns in regard to the ESF subvention issue:

1. Whether there should be continuation of the recurring subvention to the ESF?

The ESF was originally established for the expatriate students, mainly British, who have parents or guardians working, operating business and residing in Hong Kong. As time past and after the return of Hong Kong to our mainland government in 1997, a certain amount of expatriate families left Hong Kong for good and leaving a considerable amount of vacant school places available in the ESF for the local students to fill-in. Around the same period of time, due to the reform of local education system in Hong Kong, such as the encouragement of using mother tongue as teaching medium and the introduction of Direct Subsidy Scheme (DSS), has driven a certain amount of conservative local parents to send their beloved children aboard or local international schools for primary and secondary education in order to make sure their children is on a secured path for the tertiary education in future. In fact, most of these parents are unwilling to give up the 12 years of pre-tertiary subventions from the government, if an alternate secure choice had been given.

Moreover, due to the stability of Hong Kong's political and economical environment after the smooth sovereignty transfer to our mainland government; it attracted many returnees from aboard and foreign investors to stay in Hong Kong for work and investment. And, these are the main reasons created such a high demand of the non-local curriculum school places in Hong Kong, but being stereotyped these families are the privileged or the affluent ones. Honestly, the real privileged and affluent ones would have chosen those prestigious and elite local and international schools to match their status instead of the ESF, as it is the most down to earth and cheapest of the kind, at least still.

Further, due to the flexibility of teaching styles, high acceptance in universities worldwide and

the increasing intakes through the non-JUPAS¹ route in the 8 tertiary institutions² in Hong Kong, more and more local parents decided to set their children's education path on the non-local curriculum. In fact, there were almost 100% of ESF students received admissions from universities worldwide in 2010, with 121 intakes (about 16.3% of total university applicants in the ESF) from local universities, which is a significant 78% increase from 63 intakes in 2008. The increase may be due to the higher global university ranking achieved in local universities in recent years as well.

However, the most contradicting point is, there are also 4 DSS schools, YMCA of Christian College, St. Paul's Co-educational College, Diocesan Boys' School and Li Po Chun United World College of Hong Kong, with the approval by the EdB are offering the British (for GCSE/IGCSE) and/or International Baccalaureate (IB) curricula at the primary and/or secondary levels. While these students are enjoying almost doubled subvention of the ESF's and supported by the EdB for them to sit for the non-local exam. Thus, we, ESF parents, demand and deserve the EdB to treat all students equally.

Also, Hong Kong being an international city, the openness of offering a diversification of education curricula is as important as offering a diversification of financial products in the finance market, so as to maintain our competitiveness among our rivals, such as Singapore and Shanghai.

All in all, while the ESF students who have almost a 100% university admission rate and if education is to nurture and advance the next generations in order to gain competitiveness and maintain sustainable development of oneself, the society and the country as a whole. Then I do not see there would be any reason for anyone or the government to let the ESF detached from the existing subvention and governing mode.

2. What should be the subvention amount per student?

The EdB classified all primary and secondary schools into two groups, schools that adopting the local curriculum to prepare students for the local exam as the local schools and schools that adopting the non-local curriculum to prepare students for the non-local exam as the international schools. And, the local schools are entitled to higher recurring subventions from the government than the non-local schools, while the ESF is receiving only 58.7% for primary and 65.4% for secondary of the DSS's subvention. Please see Annex I for details.

¹ A system that applicants using results other than the HKALE or HKDSE to apply for an undergraduate programme in Hong Kong.

² The Chinese University, City University of Hong Kong, Hong Kong Baptist University, The Hong Kong Institute of Education, Lingnan University, The Hong Kong Poly University, The University of Hong Kong and The Hong Kong University of Science and Technology.

Having no less than 65% of the ESF parents holding permanent Hong Kong identity and students' academic results are performing above world standards. As such, I do not see the reason of the ESF students, who are being educated under the non-local curriculum with outstanding academic results, representing Hong Kong and deserve less subvention than the local curriculum students. In fact, even if bringing the subvention per ESF student to par as the local-curriculum students, which would only be an increase of 0.53% of the total education expenditure or 0.07% of the total government expenditure, the increase is more than reasonable for our government to invest in. Please see Annex I for calculations.

If our government is to promote Hong Kong as education and finance hubs and to maintain and increase Hong Kong's attractiveness to foreign investments and talents, increasing the investment in education is worthier than anything else. Even if providing subvention to all non-local curriculum students, the increase will be 2.45% of the total education expenditure or 0.34% of the total government expenditure. And, the increase in education spending can be absorbed by a small increase of company profit tax, which was being reduced by 1% few years ago.

Further, ESF parents make contribution to Hong Kong just like everyone else who lives and stays here, so when the EdB mentioned that it needs to be responsible for the tax payer's money then we also need our right to be served when we claim it.

3. What groups should be able to enjoy the subvention of the ESF's?

In order to maintain the English standard of the ESF's, I believe the present admission requirements set by the ESF are fair and could prevent arguable issues such as racial discrimination. Thus, for those who are being admitted to the ESF should be entitled to the subvention, which should be a non-means check, the same as the other pre-tertiary government subvented students in Hong Kong.

On the other hand, in order to guarantee sufficient school places for foreign passport holders and non-Chinese speakers, the ESF should reserve a certain amount of school places, based on the past admission records and references from the other international schools, and set aside a small percentage as buffer. This way, not only can allow local students to enjoy an authentic English teaching medium education but can also provide a steady tuition income for the ESF and lessen the pressure for extra government funding, in case of unexpected incidents like SARS and economic downturns happened in recent years.

4. Under what criteria should the subvention be grand to the ESF?

Since, the frozen of subvention was mainly due to the incapability of accounts and staff

expenditure management by the ESF management team. I suggest only the ESF management team needs more governance from the EdB and its stakeholders, as the statues of international school and IB are already under revision and accreditation renewal by the responsible organizations from time to time.

Over the decade, we can only see the reform of the ESF Board of Governors (BOG), shrank from over a hundred members to 26 members at present and some savings under the environmental issues. However, CEO of ESF refused to disclose information on the remuneration packages of the senior management team. From the ESF audit report in 2010, 10 management personnel had already taken up an expenditure of 17.3 millions, while the government is encouraging all non-profit organizations to disclose information on the salary packages of their top 3 management levels. Further, there are some non-understandable expenditures and expansion of staffing, such as the position of Customer and Public Relations, expenses on marketing, the alumni project, etc., while there is a long school place waiting list mentioned by the ESF management and the muddled financial relationship between the ESF Educational Services Limited (ESL).

Unfortunately, although there are parents' representatives on the BOG, due to the issue of pecuniary interest stated on the Code of Conduct, all voting rights of parents' representatives are deprived on issues of tuition fees and capital levy, while these are some of the major concerns of most parents. As such, I urge all members of the LegCo to help and look into this voting issue and see if action has to be taken to correct and prevent this unreasonable deprivation to parents as soon as possible.

5. How much should be the tuition fees?

The setting of the tuition fees level should make reference to the 4 DSS schools as mentioned above.

6. Should the ESF be gradually phased out from the recurrent subvention and becoming a self-finance organization?

If the EdB is planning to have the ESF becoming a private organization in the future, I urge your esteemed department to answer the following questions first, before making any final decision to stop providing recurrent subvention to the ESF.

- i. Is there any plan other than terminating the subvention that the EdB can consider and is acceptable by all parties in concerned?
- ii. How practical is to have the ESF privatized and without affecting the present and future ESF students and families?

- iii. What if the financial situation of the ESF after privatized is not as self sustainable as forecasted when time past? And, how to deal with it if happened?
- iv. What if the tuition fees and levy keep rising instead of stabilizing?
- v. What if the school place problem for NET teachers, expatriate professors and foreign investors can't be resolved, as there will be even less governance from the EdB and the legislators?
- vi. What if the ESF school places turned out to be a market for speculation like the real estate and stock markets in the future? It happened to those private international schools that provide transferable debentures when the economy was good. And, how can the EdB prevent this from happening?
- vii. What if the plan did not work out as wished, can the EdB and the government handle it and be responsible for the consequences, such as letting Hong Kong losing its competitiveness and attractiveness and becoming a 'Hub of Nothing' in the end?

I would also like to urge all of the LegCo Education Panel members to help and support us parents, the biggest stakeholder of the ESF, to actively participate in the upcoming negotiation process between the EdB and the ESF, as we do not want to be left in the dark.

All in all, we need our needs to be taken into consideration in the negotiation and discussion process of ESF's and our children's future.

Yours sincerely,

Angie Lam

A concerned ESF parent of Quarry Bay School and South Island School

- cc. Mr. Carlson Tong, JP - Chairman of ESF
- Mrs. Heather Du Quesnay - CEO of ESF
- The Concerned ESF Parents Group

Annex I

	Govt, Aided, Caput & DSS (schools adopting local curriculum)	ESF (schools adopting non-local curriculum)
Total number of Students (not include special schools)	Primary: 288,821 ₁ students Secondary: 426,712 ₂ students Total: 715,533 students Secondary 1 (S1): 65,844 ₂ students Secondary 7 (S7): 28,290 ₂ students	Primary: 6,120 students Secondary: 6,350 students Special School: about 65 students Total: 12,535 students (about 1.75% of the compare group) Year 7 (Yr7): approx. 1,000 students Year 13 (Yr13): 743 students
Total Subventions from Government Between 2003/04 – 2009/10 both years inclusive (7 years in total)	\$203,695,758,000 ₃ [with special school included]	\$2,039,990,000 ₃ [with one special school included] (about 1.0% of Govt, Aided, Caput & DSS subventions)
Total number of student intakes to the 8 Local Tertiary Institutions	Through JUPAS: 11,660 ₄ intakes in 2010	Through non-JUPAS: 121 ₅ intakes in 2010 (a 27.4% increase from 2009); 95 ₆ intakes in 2009 (a 51% increase from 2008); 63 ₆ intakes in 2008
Successful rate to educate a secondary student to be admitted to the 8 Local Tertiary Institutes from Secondary 1 or Year 7	11,660 ₄ intakes/65,844 ₄ students = 17.7%	121 intakes/1,000 students = 12.1%
Admission rate of S7 and Yr13 students to university or tertiary education in 2010	About *41% of S7 students admitted to local Tertiary Instituted	About 100% ₅ admission rate to university, worldwide

* 11,660 students / 28,290 students = 41%

Annex I

Successful rate from Secondary 1 or Year 1 to non-Local Tertiary Institutes	No information	Approximately 87.9% (100% - 12.1%)
Government subventions to students per unit cost (based on figures of 2010/11) ⁷	Government schools: Primary - \$41,330, Secondary - \$50,450; Aided schools: Primary - \$35,710, Secondary - \$44,630; DSS schools: Primary - \$35,200, Secondary - \$43,890; Caput schools: \$46,630	Primary - \$20,670 (58.7% of DSS), Secondary - \$28,700 (65.4% of DSS)
Government subventions in 2010/11	\$32,097,000,000 ³ (including subventions to special schools)	\$285,000,000 ³ [about 0.89% of the Govt, Aided, Caput and DSS schools] (including subvention to 1 special school)

Government expenditure on Education Bureau in 2010/11	\$39,220,055,000 ⁸
Total Government expenditure in 2010/11	\$285,599,001,000 ⁸
Estimation of increase in ESF subvention to par: Primary: 6,120 students x \$35,000 = \$214,200,000 Secondary: 6,350 students x \$44,000 = \$279,400,000 Increase in subvention = \$214,200,000 + \$279,400,000 - \$285,000,000 = \$208,600,000	Estimation of increase in non-local curriculum students subvention: Primary: (17,399 - 6,120)students x \$35,000 = \$394,765,000 Secondary: (14,461 - 6,350)students x \$44,000 = \$356,884,000 Total increase = \$751,649,000 + \$208,600,000 = \$960,249,000

Annex I

<p>Increase in total education spending: = \$208,600,000 / \$39,220,055,000 = 0.53%</p> <p>Increase in total government spending: = \$208,600,000 / \$285,599,001,000 =0.07%</p>	<p>Increase in total education spending: = \$960,249,000 / \$39,220,055,000 = 2.45%</p> <p>Increase in total government spending: = \$960,249,000 / \$285,599,001,000 = 0.34%</p>
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References:

1. The Education Bureau website: www.edb.gov.hk
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2. The Education Bureau website: www.edb.gov.hk
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3. HKSAR The Budget reports under the “Estimates” icon between years 2003/04 to 2009/10, both years inclusive.
<http://www.budget.gov.hk/2009/eng/speech.html> (check under: Head 156 – Government Secretariat: Education and Manpower Bureau or Education Bureau);
4. The Education Bureau website: www.edb.gov.hk;
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5. The English Schools Foundation website: www.esf.edu.hk , P. 24 of http://www.esf.edu.hk/sites/esf/files/ESF_annual_report_09_10_A4_final.pdf;
6. The English Schools Foundation website: www.esf.edu.hk;
7. The Education Bureau website: www.edb.gov.hk;
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8. <http://www.budget.gov.hk/2010/eng/estimates.html>